



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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<b>Bill Number:</b>	H. 3586	Signed by Governor on May 16, 2019
<b>Author:</b>	Sandifer	
<b>Subject:</b>	Public Safety Communications Center	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	Jolliff and Gardner	
<b>Impact Date:</b>	May 17, 2019	

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### Fiscal Impact Summary

Other Funds expenditures for Revenue and Fiscal Affairs (RFA) are expected to increase by \$3,361,000 in FY 2019-20 and an additional \$8,000,000 in FY 2020-21 for a total of \$11,361,000 during implementation of the NextGen 9-1-1 (NG9-1-1) system. Recurring Other Funds expenditures in FY 2021-22 and beyond will total approximately \$8,105,000. This increase is dependent upon the final cost outlined in the contract for the NG9-1-1 system, cost savings because of consolidating technology and changes to the cost reimbursement rate, and other factors. However, RFA has applied for a federal grant to offset some of the costs of transitioning to NG9-1-1. The potential amount of the grant is expected to be \$2,151,000. If the grant is awarded, a portion of the Other Funds expenditures will shift to Federal Funds. The increase in expenditures can be handled through existing agency authority without additional appropriations.

Other Funds revenues may increase in future years if the RFA board determines that an action is required to maintain sufficient operating funds to support the NG9-1-1 system. However, we expect a revenue increase will be lower under this bill than would otherwise be required to reimburse local jurisdictions for building separate systems. Under current statutes, the board may approve a change to the reimbursement rates or fees as necessary to fund allowable 9-1-1 expenses. Depending upon the final cost of the NG9-1-1 system and cost savings, these revenue needs may be lower if the legislation is enacted and a statewide system is put in place as opposed to the revenue that will be needed if each jurisdiction develops its own system.

Other Funds revenue for the Law Enforcement Training Council (LETC) may decline by up to approximately \$104,000 per fiscal year if all local jurisdictions opt to use training providers other than the LETC for operator or dispatcher training. However, this reduction would be offset by an annual cost savings of approximately \$169,000, allowing the agency to divert approximately \$65,000 in General Fund and Other Funds to other activities. The actual impact on LETC revenue and expenditures will depend on how many local jurisdictions choose to use alternate training programs.

The bill is expected to reduce local expenditures for NG9-1-1 by consolidating the technology and system under a single statewide plan and providing redundancy capabilities that would otherwise require additional local expenditures. The exact cost savings amount from a statewide system versus each local jurisdiction implementing its own ESInet is unknown. However, consolidating the technology is expected to reduce expenses overall compared to having each local jurisdiction acquire its own NG9-1-1 system. RFA contacted every county and the

Municipal Association of South Carolina for additional input regarding the local impact of the bill. The four counties who responded largely agreed that the bill would lower overall costs of implementing NG9-1-1 but were unable to quantify the potential savings.

Local revenues from the state may decline as the state implements the statewide NG9-1-1 system. The reduction in local revenue may be offset by reductions in expenditures as the state assumes more responsibility for providing NG9-1-1 technology. This bill does not affect local revenues from local fees on landlines.

## **Explanation of Fiscal Impact**

**Signed by Governor on May 16, 2019**

### **State Expenditure**

This bill amends the current code sections related to emergency 9-1-1 systems and services to direct the development and implementation of NG9-1-1 services. Current law provides minimum requirements for 9-1-1 systems regarding technical structure, capabilities, and service provision, which are provided through 50 Public Safety Answering Points (PSAPs). The bill amends these requirements and provides guidance for establishing an NG9-1-1 system to support the 50 PSAPs. The NG9-1-1 system must provide delivery of 9-1-1 calls over an IP-based network and provide multimedia data capabilities for Public Safety Answering Points (PSAPs). All systems operating in South Carolina prior to the establishment of the NG9-1-1 system are referenced in the bill as legacy systems. RFA is responsible for creating and updating a comprehensive strategic 9-1-1 plan. The bill also makes changes to the allowable uses of funds generated for cost reimbursement of emergency services to allow for support of an NG9-1-1 system and to the make-up of the Commercial Mobile Radio Service (CMRS) Advisory Committee.

**Revenue and Fiscal Affairs.** The bill expands RFA's current responsibilities related to emergency services and systems. RFA is required to develop and implement a strategic plan for NG9-1-1 services. RFA is permitted to hire employees or contract for services and equipment needed for the model. The bill also makes changes to the make-up and appointment of the CMRS Advisory Committee, which is comprised of individuals with technical 9-1-1 knowledge, local 9-1-1 system employees, and representatives of CMRS providers.

NG9-1-1 is an Internet Protocol (IP) based system comprised of managed Emergency Services IP networks (ESInets), functional elements (applications), and databases that replicates the traditional enhanced 9-1-1 (E9-1-1) features and functions and provides additional capabilities. NG9-1-1 is designed to provide access to emergency services from all connected communications sources and provide multimedia data capabilities for Public Safety Answering Points (PSAPs) and other emergency service organizations.

Currently, RFA is responsible for distributing the funds generated from wireless service providers (WSPs) for emergency services. Each wireless customer pays a fee set by the RFA board for 9-1-1 services that is then distributed by RFA. The fee has been set at \$0.62 from 2014 to 2019. Of the funds collected, 39.8 percent is distributed to PSAPs based upon 9-1-1 wireless call volume for expenses incurred for answering, routing, and dispatching 9-1-1 calls. The next

58.2 percent of wireless fee revenue currently is distributed to reimburse PSAPs and WSPs for costs for 9-1-1 systems. The remaining 2 percent may be used to retain an independent auditor to review and verify the receipt and usage of funds and used for expenses RFA is authorized to incur for administrative, legal, support, and services to assist in fulfilling its responsibilities under the act.

The bill amends the usage of the 58.2 percent portion of wireless fee revenue for cost reimbursement to allow for implementation and support of NG9-1-1. Currently, RFA distributes these funds to reimburse PSAPs and service providers for costs related to upgrading, acquiring, maintaining, programming, and installing necessary data, hardware, and software for 9-1-1 systems. These uses are expanded in the bill to include reimbursement for networks and services and to permit RFA to use these funds to implement the strategic plan. Invoices detailing specific expenses must be presented for approval by RFA, and the RFA board may consider reimbursement of costs not detailed in the bill only if unanimously approved by the CMRS advisory committee. The bill requires further that all reimbursements must be consistent with the strategic plan.

RFA's comprehensive strategic plan provides for the transition to NG9-1-1 and for core services of NG9-1-1 to be managed by the State. RFA's strategic plan was developed through a contract with L.R. Kimball, a consultant group specializing in communications technology. The CMRS Advisory Committee has recommended that RFA pursue implementation of the strategic plan as proposed by the consultants. Under the strategic plan, local PSAPs will be able to tie into a single statewide ESInet. As opposed to each local jurisdiction creating its own network, the statewide system is expected to reduce the overall costs that will be incurred to transition to NG9-1-1. Absent a statewide system, RFA would continue to reimburse local jurisdictions for implementing NG9-1-1 with individual systems in each locality at a greater overall cost statewide.

RFA expects to contract for the development and on-going service of a statewide ESInet to replace local copper wire 9-1-1 systems. The statewide ESInet will support the transmission of text, images, video, and other data and enable all local jurisdictions to provide the same level of NG9-1-1 service throughout the state. A statewide system will provide consolidation of the ESInet service and technology. RFA has estimated the cost of a five-year contract for the development, implementation, and maintenance of a statewide ESInet with NG9-1-1 core services based upon actual experience of other states. These cost estimates may vary depending upon the final contract for South Carolina.

**5-Year Contract Cost Estimates for NG9-1-1 ESInet:**

- Hardware – \$8,205,624
- Software – \$12,066,432
- Installation/Set-up – \$5,892,516
- Training – \$1,474,536
- Consulting Services – \$2,926,560
- Call Handling/ESInet Services – \$25,714,332

On a fiscal year basis, Other Funds expenditures for equipment from the 58.2 percent portion of the wireless E9-1-1 fee revenue are expected to total \$3,256,000 a year in FY 2019-20 and FY 2020-21. These non-recurring expenses for implementation of the new system will fund equipment replacement and technology upgrades. The system is expected to be active by the middle of 2020. Recurring Other Funds expenditures for operating the system are expected to total \$8,000,000 annually beginning in FY 2020-21.

Additionally, RFA expects to hire 1 FTE to oversee the vendor and systems at an annual cost of \$105,000, \$75,000 for salary and \$30,000 for fringe, which will be funded from the 2 percent administrative portion of the fund. Currently the E9-1-1 section of RFA has 4 FTEs who manage the collection and distribution of funds to reimburse PSAPs for providing emergency services, oversee the verification of expenditures and reimbursements for allowable 9-1-1 expenditures, and provide mapping and GIS services. Providing a statewide ESInet and NG9-1-1 services will require an additional FTE with specialized knowledge and technical experience to oversee the agency's new responsibilities. Other Funds expenditures from the 2 percent administrative portion of the fund will increase by \$105,000 beginning in FY 2019-20 for salary and fringe for the new FTE.

The CMRS committee currently has eight members and will expand to twelve under this bill. Currently, the Governor appoints six members made up of two employees of CMRS providers, two 9-1-1 system employees, one employee of a local telephone service supplier, and one consumer. One member is the Executive Director of RFA or his designee, and the Executive Director appoints one members who must be an individual with technical or operation knowledge of E9-1-1 systems. The bill amends this section to allow the Governor to appoint eight members: two must be employees of a local 9-1-1 system recommended by the South Carolina Association of Public Safety Communications Officials, two must be employees of local 9-1-1 system recommended by the S.C. National Emergency Number Association, two must be employees of CMRS providers in the state, one must be an employee of a telephone service supplier, and one must be a consumer. The remaining four members are appointed by the Executive Director of RFA: one must be the Executive Director or his designee, one must have GIS expertise, one must be an individual with knowledge of communication operations or technology, and one must be a county administrator recommended by the South Carolina Association of Counties. Under the bill, members may not receive expense reimbursement or per diem for meeting attendance. However, with approval of the RFA Executive Director, members may be reimbursed for travel associated with their service on the committee. RFA expects that travel reimbursement will be limited and will manage any increase in expenses within the 2 percent administrative portion of the fund. Therefore, this change is not expected to have a significant impact on Other Funds expenditures.

In summary, RFA's Other Funds expenditures are expected to increase by \$3,361,000 in FY 2019-20 and an additional \$8,000,000 in FY 2020-21 for a total of \$11,361,000 during implementation of the NG9-1-1- system. Recurring Other Funds expenditures in FY 2021-22 and beyond will total approximately \$8,105,000. However, RFA has applied for a federal grant to offset some of the costs of transitioning to NG9-1-1. The federal grant would provide matching funds at a rate of 40 percent of state expenses. The potential amount of the grant is expected to be \$2,151,000 to be reimbursed by March 31, 2022. If the grant is awarded, a

portion of the increase in Other Funds expenditures will shift to Federal Funds. However, the total expenditure increase will depend upon the final contract costs and may vary from these estimates.

**Law Enforcement Training Council.** The bill amends the training requirements for telecommunication operators or dispatchers. Currently, operators and dispatchers must be trained and certified by the Criminal Justice Academy of the Law Enforcement Training Council (LETC). This requirement is amended so that operators and dispatchers must either be trained or otherwise certified by the LETC. Local jurisdictions are responsible for paying for training or certification and may, under the provisions of the bill, choose to have their operators and dispatchers trained by an entity other than the LETC. The LETC indicates it will not certify anyone who receives training from an outside party unless the agency deems that the outside training program meets the Criminal Justice Academy's strict training standards.

The LETC is authorized to establish, collect, and retain a fee not to exceed the actual costs for Basic Telecommunication Operators Training (BTOT) or certification. The agency currently charges \$700 per BTOT enrollee and deposits these fees into the agency's Other Funds account to cover food costs for training participants and other expenses related to the training. For FY 2011-12 to FY 2015-16, the BTOT program cost the LETC an average of \$1,136 per participant. Therefore, the LETC incurs an additional overhead cost of approximately \$400 per BTOT participant. The agency uses General Fund and Other Funds fees and fines from other sources, depending upon available funds, to cover the difference. In FY 2017-18, the LETC had 149 training participants and generated \$104,300 in Other Funds revenue from enrollment fees. Based upon an expenditure of \$1,136 per participant, expenditures would total approximately \$169,000 per year. Should all local jurisdictions opt to use training providers other than the LETC for operator or dispatcher training, the LETC's Other Funds expenditures would be reduced by up to \$104,000 in a given fiscal year, with \$65,000 in revenues potentially shifting to expenditures in other agency programs. The actual impact on LETC expenditures will depend on how many local jurisdictions choose to use alternate training programs and is undetermined.

## **State Revenue**

**Revenue and Fiscal Affairs.** Under current law, wireless telephone customers pay a fee set by RFA for 9-1-1 services. The revenue generated is then distributed by RFA to support local 9-1-1 services and equipment reimbursements. Section 23-47-50 specifies that the maximum fee that may be imposed must be no more than the average monthly wireline telephone 9-1-1 charges paid in South Carolina. The statutory maximum fee for 2019 based upon the average charges paid for 2018 is \$0.67. However, RFA set the fee at \$0.62 for 2019, as this level is expected to be sufficient to support the required expenditures in 2019. The fee is expected to generate approximately \$33,500,000 in 2019.

Based upon current long-range revenue and expenditure projections, RFA staff anticipate that a change to the reimbursement rates or fees may be necessary to sufficiently fund expenditures for NG9-1-1 technology. Other Funds revenues may increase in future years if the RFA board determines that an action is required to maintain sufficient operating funds to support the NG9-1-1 system. However, we expect the revenue increase will be lower under this bill than would otherwise be required. Under current statutes, the board may approve a change to the

reimbursement rates or fees as necessary to fund allowable 9-1-1 expenses. Depending upon the final cost of the NG9-1-1 system and cost savings, these revenue needs may be lower if the legislation is enacted and a statewide system is put in place as opposed to the revenue that will be needed if each jurisdiction develops its own system. The RFA board, with the assistance of the CMRS advisory committee, will review the expenditure and revenue projections and potential changes to fees and reimbursements to ensure that the fund balances remain at 20 to 30 percent of expenses.

Further, RFA has applied for a federal grant to offset some of the costs of transitioning to NG9-1-1. The federal grant would provide matching funds at a rate of 40 percent of state expenses. The potential amount of the grant is expected to be \$2,151,000 which will be reimbursed over a period of up to three years, which would in turn increase Federal Funds revenue.

**Law Enforcement Training Council.** The LETC is authorized to establish, collect, and retain a fee not to exceed the actual costs for BTOT or certification. The agency currently charges \$700 per BTOT enrollee and deposits these fees into the agency's Other Funds account to cover food costs for training participants and other services related to the training. For FY 2011-12 to FY 2015-16, the BTOT program cost the LETC an average of \$1,136 per participant. Therefore, the LETC incurs an additional overhead cost of approximately \$400 per BTOT participant. The agency uses General Fund and Other Funds fees and fines from other sources, depending upon available funds, to cover the difference. In FY 2017-18, the LETC had 149 training participants and generated \$104,300 in Other Funds revenue from enrollment fees. Should all local jurisdictions opt to use training providers other than the LETC for operator or dispatcher training, Other Funds revenue for the LETC would decline by approximately \$104,000 per fiscal year. However, this loss would be offset by an annual cost savings of approximately \$169,000, allowing the agency to divert approximately \$65,000 in General Fund and Other Funds to other activities. The actual impact on LETC revenue will depend on how many local jurisdictions choose to use alternate training programs and is undetermined.

### **Local Expenditure**

The bill updates the current statutes to allow for transition to NG9-1-1 emergency services and the implementation of a statewide strategic plan. Under RFA's strategic plan, portions of the current legacy system will be replaced by a statewide ESInet. By developing a statewide system, all local PSAPs will have access to the statewide emergency technology system to enable receiving text, video, and other data transmissions. This statewide system is expected to reduce local expenditures for NG9-1-1 by consolidating the technology and system under a single statewide plan and providing redundancy capabilities that would otherwise require additional local expenditures.

The exact cost savings from a statewide system versus each local jurisdiction implementing its own ESInet are difficult to quantify. Each local PSAP will continue to provide staffing, answer calls, and dispatch emergency services. However, consolidating the technology is expected to reduce expenses overall compared to having each local jurisdiction acquire its own NG9-1-1 system. Absent a statewide system, RFA would continue to reimburse local jurisdictions for

implementing NG9-1-1 with individual systems in each locality at a greater overall cost statewide.

RFA contacted every county and the Municipal Association of South Carolina for additional input regarding the local impact of the bill. We received responses from Charleston, Clarendon, Florence, Horry, and Lancaster counties. These counties largely agreed that the bill would lower overall costs of implementing NG9-1-1 but were unable to quantify the potential savings.

### **Local Revenue**

This bill will allow for implementation of the statewide NG9-1-1 strategic plan. Under the plan, responsibility for providing portions of NG9-1-1 emergency services will shift to the state, and the state will begin incurring expenditures for the statewide ESInet. As the state assumes additional responsibilities, local expenditures will shift to the state, and local revenue from reimbursements is expected to decline, although we do not have data to estimate the amount.



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Frank A. Rainwater, Executive Director